

Message Text

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43

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 064430

R 191652Z JUL 76
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 3786
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USDEL MTN GENEVA
USMISSION EC BRUSSELS
USMISSION GENEVA
USMISSION USUN NEW YORK
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 11201

EXDIS

E.O. 11652: XGDS-1
TAGS, ETRD, EGEN, UNCTAD, UK
SUBJECT: EVALUATION OF UK POSITION ON THE COMMON FUND

REF: LONDON 10670

1. IN THE COURSE OF A VISIT TO LONDON BY AMBASSADOR WALKER WE HAVE HAD TWO EXTENDED DISCUSSIONS OF POLICY REGARDING THE COMMON FUND. OUR BRITISH INTERLOCUTORS HAVE INCLUDED FCO MINISTER OF STATE HATTERSLEY AND DEPUTY UNDER SECRETARY STATHAM; DEPT OF TRADE PERMANENT SECRETARY THORNTON AND DEPUTY SECRETARIES PRESTON AND GRAY; CABINET OFFICE SECOND PERMANENT SECRETARY DENMAN; AND MAFF UNDER SECRETARY DAVIS. THE OVERALL IMPRESSION LEFT IS THAT, WHILE THE UK HAS NOT ADOPTED A FIRM POSITION, BOTH MINISTERS AND OFFICIALS NOW VIEW THE ACCEPTANCE OF A COMMON FUND IN MARCH 1977 AS VIRTUALLY CERTAIN. THEIR ATTENTION IS FOCUSSED ON MODIFYING THE G-77 PROPOSALS FOR THE FUND SO AS TO MAKE IT LESS

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NOXIOUS.

2. THE BRITISH ATTITUDE IS NOT REPEAT NOT BASED ON THE BELIEF THAT THE COMMON FUND IS A GOOD IDEA, EITHER FOR THE DEVELOPED OR THE DEVELOPING COUNTRIES. THE BASIS IS, RATHER, THAT THERE'S LITTLE OR NO POINT IN FIGHTING THE INEVITABLE -- AND A COMMON FUND IS SEEN AS INEVITABLE.

3. BRITISH UNWILLINGNESS TO ENGAGE IN CONFRONTATION WITH THE LDCS OVER THIS ISSUE HAS THE FOLLOWING BASIS:

A. BRITAIN IS MORE DEPENDENT UPON LDCS FOR RAW MATERIALS THAN THE US. (THE STRENGTH OF THIS ARGUMENT IS, HOWEVER, CHALLENGED BY SOME BRITISH OFFICIALS, WHO DOUBT THAT MATERIAL RETALIATION WOULD BE TRIGGERED BY REFUSAL OF SOME DCS TO PARTICIPATE IN THE COMMON FUND.)

B. AN UNYIELDINGLY NEGATIVE POSITION ON THE COMMON FUND WOULD NOT BE "CREDIBLE." THE BRITISH FEEL THAT IN THE LAST WEEK AT NAIROBI THE US SIGNIFICANTLY SOFTENED ITS POSITION ON THE COMMON FUND, LEAVING THEM WITH LITTLE CHOICE BUT TO DO LIKEWISE.

C. THERE ARE DOMESTIC POLITICAL PRESSURES FROM A VOCAL THOUGH PROBABLY SMALL PART OF THE BRITISH POPULATION AND THE LABOUR PARTY IN FAVOR OF BEING MORE ACCOMMODATING TO LDC DEMANDS. HATTERSLEY NOTED THAT DOMESTIC SENTIMENT IS OFTEN AMBIVALENT -- HE REFERRED TO A RECENT MANIFESTO OF THE LONDON COOPERATIVE SOCIETY WHICH ARGUED AT THE SAME TIME FOR MORE AID TO LDCS AND HIGHER PROTECTION FROM LDC MANUFACTURES. BUT OUR BRITISH CONTACTS AGREED THAT HMG CONFRONTS DOMESTIC DISSATISFACTION WITH ITS PREVIOUS LINE.

4. THE BRITISH ARE CURRENTLY SOUNDING OUT THEIR COMMUNITY PARTNERS ON THIS SUBJECT. EARLIER THIS WEEK THORNTON AND PRESTON VISITED BONN. CONSULTATIONS WITH THE FRENCH ARE ENVISAGED. THEY SAY THAT THE GERMANS ARE NOT VERY FAR ALONG IN THEIR THINKING, BUT THEY BELIEVE THE GERMAN POSITION IS NOT TOO DISSIMILAR TO THE BRITISH ONE.

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5. JUST WHAT INTERMEDIATE POSITION ON THE FUND SHOULD BE TAKEN? THE BRITISH ARE NOT CLEAR ON THIS. THEY THINK THE FRENCH LINE AT NAIROBI--A FUND WHICH WOULD SIMPLY FINANCE BUFFER STOCK ARRANGEMENTS THAT ARE SEPARATELY NEGOTIATED--MAY BE ACCEPTABLE AS A NEGOTIATING POSITION BUT WILL HAVE TO BE IMPROVED ON BY MARCH. THEY ARE NOT SYMPATHETIC TO THE IDEA OF SOME GERMANS

THAT A FUND WITH DIFFERENT PURPOSES FROM THOSE OUTLINED
BY THE G-77 BE PROPOSED. THEY FEEL THAT THE G-77 WOULD
THEN DEMAND BOTH THEIR OWN SCHEME PLUS ALL THE

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R 191652Z JUL 76
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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 11201

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INTERESTING FEATURES IN THE GERMAN PROPOSAL. THE ONLY
POSITIVE BRITISH IDEA WE HEARD WAS THAT NEGOTIATION
MIGHT CONCENTRATE ON WHAT TO DO WITH REGARD TO
INDIVIDUAL COMMODITIES, RATHER THAN ON THE FUND IDEA.

6. WHILE THE SUBSTANCE OF A NEW BRITISH POSITION HAS
NOT BEEN WORKED OUT, THE FCO APPEARS TO BE PROPOSING
TACTICS WHICH FINESSE THAT PROBLEM. THE UK, IT ARGUES,
SHOULD SIMPLY FOLLOW THE COMMUNITY LINE. THIS MEANS
ABANDONING ITS STAND AT ONE END OF THE COMMUNITY
SPECTRUM AND ADOPTING A MORE PASSIVE, AS WELL AS SOFTER,
POSITION. ASSUMING THAT A COMMUNITY POSITION IS
ADOPTED THE UK WOULD NOT BE SUBJECT TO PARTICULAR
CRITICISM, EITHER DOMESTICALLY OR FROM THE LDCS. FCO

SOURCES SAY, IN THIS CONNECTION, THAT EARLIER THIS MONTH IN PARIS, PRESTON GOT THE IMPRESSION THAT US OFFICIALS FAVORED THE ADOPTION OF A COMMUNITY POSITION.

7. IT IS ONLY FAIR TO SAY THAT WHITEHALL IS NOT YET CONFIDENTIAL

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UNANIMOUS. (A FINAL DECISION PROBABLY WILL NOT BE TAKEN UNTIL AUTUMN, IN ANY EVENT.) THE STAFF OF THE TREASURY (AS WELL AS OF MINOR PLAYERS LIKE MAFF) IS STILL OPPOSED TO THE COMMON FUND, AND WILLING TO FIGHT IT AS LONG AS THE US AND GERMANY ARE WILLING TO DO SO. THE COSTS OF THE FUND, BOTH BUDGETARY AND IN TERMS OF AN INCREASED IMPORT BILL, COUNT FOR MORE WITH THE TREASURY.

8. THERE DOES, HOWEVER, SEEM TO HAVE BEEN SOME SHIFTING OF POSITIONS, ESPECIALLY BY THE DEPT OF TRADE, SINCE REFTTEL WAS DRAFTED. THE FCO, WHICH FORMERLY WAS IN A MINORITY IN URGING A SOFTER LINE, NOW FEELS THAT IT CONTROLS THE SITUATION. WE BELIEVE THAT THE BRITISH GOVERNMENT IS STILL OPEN TO INFLUENCE FROM THE US, BUT IT WILL DEFINITELY TAKE A MAJOR US EFFORT TO PERSUADE THE UK TO CONTINUE TO OPPOSE THE COMMON FUND.

ARMSTRONG

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